

**COUNTY ROAD COMMISSION  
OF LENAWEЕ COUNTY**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2005**

**WITH  
INDEPENDENT AUDITORS' REPORT**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name LENAWEE COUNTY ROAD COMMISSION	County LENAWEE
Audit Date DECEMBER 31, 2005	Opinion Date FEBRUARY 20, 2006	Date Accountant Report Submitted to State: MARCH 20, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

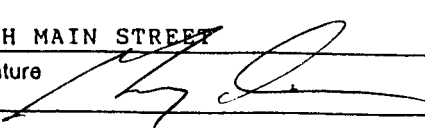
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.			
Street Address 121 NORTH MAIN STREET	City ADRIAN	State MI	ZIP 49221
Accountant Signature 			

RECEIVED  
DEPT. OF TREASURY

MAR 23 2006

LOCAL AUDIT & FINANCE DIV.

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**INDEPENDENT AUDITORS' REPORT**  
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To the Board of County Road Commissioners  
Lenawee County  
Adrian, Michigan

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Lenawee County Road Commission, as of and for the year ended December 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Lenawee County Road Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Lenawee County Road Commission, as of December 31, 2005, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2006 on our consideration of Lenawee County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of County Road Commissioners  
Lenawee County Road Commission  
Adrian, Michigan

The management's discussion and analysis, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Lenawee County Road Commission. Such information has been subjected to the procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Robertson, Eaton & Owen, P.C.***

Adrian, Michigan  
February 20, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of County Road Commissioners  
Lenawee County  
Adrian, Michigan

We have audited the accompanying financial statements of the Lenawee County Road Commission, as of and for the year ended December 31, 2005, and have issued our report thereon dated February 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Lenawee County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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To the Board of County Road Commissioners  
Lenawee County  
Adrian, Michigan

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Lenawee County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of state laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

***Robertson, Eaton & Owen, P.C.***

Adrian, Michigan  
February 20, 2006

*Commissioners*  
Merrill Bales  
Donald Isley  
Robert Emery

Phone: (517) 265-6971

LENAWEE COUNTY  
**BOARD OF COUNTY ROAD COMMISSIONERS**  
Wayland P. Hart Maintenance Facility  
2461 Treat Highway  
Adrian, Michigan 49221-4009

*Managing Director*  
Orrin Gregg, P.E.

*Board Secretary*  
Susan Bower, C.P.S.

Fax: (517) 263-0611

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2005**

Our discussion and analysis of the Lenawee County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2005. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

**Overview of the Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the Road Commission.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities - this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on the individual fund, reporting the operations in more detail than the government-wide financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by supplementary information that further explains and supports the information in the financial statements.



## **Reporting the Road Commission as a Whole**

### **Government-Wide Statements**

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are accounted for the Statement of Activities regardless of when cash is received or paid.

The two statements, mentioned above, report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To access the overall health of the Road Commission, you need to consider additional nonfinancial factors such as changes in the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution.

### **Fund Financial Statements**

The Road Commission currently has only one fund, the General Operating Fund, in which all of the Road Commission's activities are accounted. The General Operating Fund is a governmental fund type. Our analysis of the Road Commission's major fund (General Operating Fund) begins on page 11. The fund financial statements begin on page 13 and provide detailed information about the General Operating Fund.

**Governmental Fund** – This fund focuses on the inflows and outflows of money and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

## **Financial Analysis of the Road Commission as a Whole**

The Road Commission's net assets increased approximately 0.07% from \$143,560,029 to \$143,668,807 for the year ended December 31, 2005. The net assets and change in net assets are summarized below.

### **Net Assets**

Restricted net assets are those net assets that have constraints placed on them by either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation to authorize the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such, assets (except for assets invested in capital assets, net of related debt) are considered restricted.

Unrestricted net assets are those assets earned by the Road Commission itself outside State and Federal funding (i.e., permits, inspections, salvage sales, and interest income).

The net assets increased by \$108,778 during 2005.

**Net Assets (Continued)**

The investment in capital assets increased by \$1,309,122.

Net assets for the years ended December 31, 2005 and 2004 follow:

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 10,710,190	\$ 11,621,943
Capital assets	<u>134,037,517</u>	<u>132,728,395</u>
Total assets	<u>144,747,707</u>	<u>144,350,338</u>
Long-term liabilities	103,806	88,999
Other liabilities	<u>975,094</u>	<u>701,310</u>
Total liabilities	<u>1,078,900</u>	<u>790,309</u>
Net assets:		
Invested in capital assets	134,037,517	132,728,395
Restricted	6,911,480	8,169,326
Unrestricted	<u>2,719,810</u>	<u>2,662,308</u>
Total net assets	<u>\$ 143,668,807</u>	<u>\$ 143,560,029</u>

**Changes in Net Assets**

A summary of changes in net assets for the years ended December 31, 2005 and 2004 follows:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<b>Program Revenue</b>		
Federal grants	\$ 616,137	\$ 614,130
State grants	619,518	585,104
Contributions from local units	2,467,432	2,620,208
Charges for services	41,564	312,047
Asphalt plant revenue	1,548,256	946,471
<b>General Revenue</b>		
Motor Vehicle Highway Funds	7,302,414	7,734,360
Interest income	146,897	47,857
Miscellaneous	87,895	67,369
Gain on equipment sales	<u>130,650</u>	<u>21,000</u>
Total revenue	<u>12,960,763</u>	<u>12,948,546</u>
<b>Expenses:</b>		
Road work	10,898,040	10,832,046
Asphalt plant operations	<u>1,953,945</u>	<u>807,869</u>
Total expenses	<u>12,851,985</u>	<u>11,639,915</u>
Increase in net assets	<u>\$ 108,778</u>	<u>\$ 1,308,631</u>

## The Road Commission's Fund

The Road Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County which are earmarked by law for road and highway purposes.

For the year ended December 31, 2005, the fund balance of the General Operating Fund decreased (\$1,185,537) as compared to an increase of \$1,344,324 in the fund balance for the year ended December 31, 2004. Total revenues were \$12,960,763, an increase of \$12,216 as compared to last year. There was a decrease in gasoline tax revenue in the amount of (431,946). Total expenditures were \$14,146,300, an increase of \$2,542,077 as compared to last year. There was an increase of \$1,219,511 in preservation-structural improvement expenditures for 2005. There was an increase of \$291,864 in maintenance and traffic control projects completed during 2005.

A summary of changes in the Operating Fund is as follows:

	<b>2005 Operating Fund</b>	<b>2004 Operating Fund</b>	<b>Favorable (Unfavorable) Variance</b>	<b>Change Percent (%)</b>
<b>Revenues:</b>				
Motor Vehicle Highway Funds	\$ 7,302,414	\$ 7,734,360	\$ (431,946)	(5.6)
Federal/State aid	1,235,655	1,199,235	36,420	3.0
Township contributions	2,466,127	2,496,118	(29,991)	(1.2)
Contributions – other	42,869	436,137	(393,268)	(90.2)
Interest income	146,897	47,857	99,040	206.9
Miscellaneous	87,895	67,369	20,526	30.5
Asphalt revenue	1,548,256	946,471	601,785	63.6
Gain on equipment sales	<u>130,650</u>	<u>21,000</u>	<u>109,650</u>	522.1
Total revenues	<u>12,960,763</u>	<u>12,948,547</u>	<u>12,216</u>	0.1
<b>Expenditures:</b>				
Road work	12,290,136	11,114,956	(1,175,180)	(10.6)
Asphalt plant operation	1,953,945	807,869	(1,146,076)	(141.9)
Net capital outlay	<u>(97,781)</u>	<u>(318,602)</u>	<u>(220,821)</u>	(69.3)
Total expenditures	<u>14,146,300</u>	<u>11,604,223</u>	<u>(2,542,077)</u>	(21.9)
Net change in fund balance	(1,185,537)	1,344,324	<u>(2,529,861)</u>	(188.2)
Fund balance – beginning of year	<u>10,920,633</u>	<u>9,576,309</u>		
Fund balance – end of year	<u>\$ 9,735,096</u>	<u>\$ 10,920,633</u>		

## Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews and authorizes large expenditures when requested throughout the year.

The final amended budget was increased due to expected increased revenues largely from Township projects and asphalt revenues. Also contributing to the increases in the budget were higher interest rates on invested funds and a larger return on used equipment sales. This was offset by the fact that the Teachout Bridge was not built as originally anticipated.

The actual revenue recognized during 2005 was considerably less than the final amended budget amount. This was largely due to a substantial reduction in the revenues anticipated from Federal and State aid funds, a reduction in the anticipated Motor Vehicle Highway Funds and less than anticipated Township project completions due to early inclement weather conditions.

The final amended expenditure budget for 2005 was increased to reflect anticipated expenditures. This was necessary to recognize the increased cost to maintain the local roads due to wet conditions and large increases in fuel costs. This was offset by the Teachout Bridge not being built and equipment budgeted for 2005 not being received prior to year end.

The actual expenditures recognized during 2005 were less than the final budget. This was primarily due to additional funds being required to maintain the County Road System and less than anticipated depreciation credits on equipment.

## Capital Asset and Debt Administration

### Capital Assets

As of December 31, 2005, the Road Commission had invested \$2,132,740 in capital assets.

	<u>2005</u>	<u>2004</u>	<u>Total Percentage Change</u>
<b>Capital Assets Not Being Depreciated</b>			
Land	\$ 655,598	\$ 533,333	22.9
<b>Capital Assets Being Depreciated</b>			
Buildings	6,665,129	6,665,129	-
Equipment	13,659,303	13,169,531	3.7
Depletable assets	<u>317,484</u>	<u>317,484</u>	-
Subtotal	20,641,916	20,152,144	
<b>Capital Assets Using Modified Approach</b>			
Roads, bridges, and culverts	<u>125,981,148</u>	<u>124,574,245</u>	11.3
Subtotal	<u>146,623,064</u>	<u>144,726,389</u>	
Total capital assets	147,278,662	145,259,722	
Total accumulated depreciation	<u>(13,241,145)</u>	<u>(12,531,327)</u>	
Total net capital assets	<u>\$ 134,037,517</u>	<u>\$ 132,728,395</u>	

## **Capital Assets (Continued)**

The Road Commission reported the infrastructure and related assets during the current year in the amount of \$125,981,148 using the modified approach for evaluation.

This year's major capital assets additions included the following:

Land	\$ 122,265
Equipment	603,572
Primary road improvement	<u>1,406,903</u>
Total additions	<u>\$ 2,132,740</u>

## **Economic Factors and Next Year's Budget**

The Board of Lenawee County Road Commissioners considered many factors when setting the fiscal year 2006 budget. One of the factors is the economy.

With the continued record high gas prices motorists continue to be conservative with their driving habits. As evidenced in last year's gas tax usage, this results in a reduction in gas tax revenues. The State legislature has still not replaced the annual revenue lost after 2004 from the one time trailer license fee enacted that year. The townships continue to lose revenue sharing funds which may have been used in the past for road projects performed by the Road Commission. The Lenawee County Road Commission continues to participate in the State Bridge program, small Urban Fund projects, and T.E.D. "F" grants as they become available. With reduced general funds it becomes increasingly difficult to find the matching funds needed to participate in these programs while funding the normal maintenance efforts. The additional match funds for the Valley Road bridge relocation and road project were very consuming of general funds last year.

The above major factors and several minor factors have led to what is considered a very conservative budget for 2006. The slight increase in the revenues includes an anticipated 2% reduction in the gas tax revenues. This is offset only by anticipated increased State and Federal project funds, carryover of equipment previously in the 2004 capital outlay budget to be delivered in 2006 and the use of funds previously accrued from the 2004 one time trailer licensing program.

## **Contacting the Commission's Financial Management**

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Lenawee County Road Commission's administrative offices at 2461 Treat Highway, Adrian, Michigan 49221.

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**STATEMENTS OF NET ASSETS**  
**December 31, 2005 and 2004**

	<u>Governmental Activity</u>	
	<u>General Operating</u>	
	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
County Treasurer's cash accounts	\$ 4,421	\$ 6,739
Imprest cash	250	250
<b>Accounts receivable</b>		
Road Agreements – Townships	559,402	414,281
Cities, Villages, and Individuals	4,904	42,997
Due from State – MVHF payments	1,151,854	1,186,512
Due from State – Pilot Program	206,204	
<b>Inventories</b>		
Equipment, materials, and parts	482,872	416,939
Road materials	3,219,559	2,970,902
<b>Investments</b>		
Board designated	500,000	500,000
Performance bond deposits	135,355	103,645
Other	4,235,326	5,771,307
Prepaid expense	210,043	208,371
Capital assets – net	<u>134,037,517</u>	<u>132,728,395</u>
 Total assets	 <u>\$ 144,747,707</u>	 <u>\$ 144,350,338</u>
<b><u>LIABILITIES</u></b>		
<b>Liabilities:</b>		
Accounts payable	\$ 403,357	\$ 314,717
Accrued payroll and payroll taxes	122,470	137,916
Advances – Townships	213,363	55,449
Performance bond deposits	135,355	103,645
Accumulated sick and vacation pay – current	77,492	64,168
Deferred revenue	23,057	25,415
Accumulated sick and vacation pay – noncurrent	<u>103,806</u>	<u>88,999</u>
 Total liabilities	 <u>\$ 1,078,900</u>	 <u>\$ 790,309</u>
<b>Net assets:</b>		
Investment in capital assets	\$ 134,037,517	\$ 132,728,395
Restricted	6,911,480	8,169,326
Unrestricted	<u>2,719,810</u>	<u>2,662,308</u>
 Total net assets	 <u>\$ 143,668,807</u>	 <u>\$ 143,560,029</u>

The notes to the financial statements are an integral part of this statement.

LENAWEE COUNTY

COUNTY ROAD COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005  
With Comparative Totals for the Year Ended December 31, 2004

	PROGRAM REVENUES				Net (Expenses) Revenue And Changes in Net Assets	
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activity Totals	
					2005	2004
<b>Primary Roads</b>						
Heavy maintenance - LCRC	\$ 1,060,791	\$	\$		\$ (1,060,791)	\$ (1,108,879)
Heavy maintenance - OSC	584,182			895,249	311,067	(1,997)
Maintenance and traffic control	2,436,456				(2,436,456)	(2,637,942)
<b>Local Roads</b>						
Heavy maintenance - LCRC	2,504,541			2,508,996	4,455	573,187
Heavy maintenance - OSC	358,468			340,406	(18,062)	(43,983)
Maintenance and traffic control	3,678,258				(3,678,258)	(2,870,471)
<b>Administrative Expenses</b>						
Administrative expense - net	(602,015)				602,015	255,787
<b>Equipment Operating Expenses</b>						
Equipment operating expenses - net	866,805				(866,805)	(846,219)
Asphalt plant operations	1,953,945	1,548,256			(405,689)	138,602
Salt brine well	10,554				(10,554)	(20,040)
Total	12,851,985	1,548,256	-	3,744,651	(7,559,078)	(6,561,955)
<b>General Revenues:</b>						
Motor Vehicle Highway Funds					7,302,414	7,734,360
Interest income					146,897	47,857
Miscellaneous					87,895	67,369
Gain on equipment sales					130,650	21,000
Total general revenues					7,667,856	7,870,586
Change in net assets					108,778	1,308,631
Net assets - beginning of year					143,560,029	142,251,398
Net assets - end of year					\$ 143,668,807	\$ 143,560,029

The notes to the financial statements are an integral part of this statement.

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUND**  
**December 31, 2005 and 2004**

<u>ASSETS</u>	<u>General Operating</u>	
	<u>2005</u>	<u>2004</u>
County Treasurer's cash accounts	\$ 4,421	\$ 6,739
Imprest cash	250	250
<b>Accounts receivable</b>		
Road Agreements – Townships	559,402	414,281
Cities, Villages, and Individuals	4,904	42,997
Due from State – MVHF payments	1,151,854	1,186,512
Due from State – Pilot Program	206,204	
<b>Inventories</b>		
Equipment, materials, and parts	482,872	416,939
Road materials	3,219,559	2,970,902
<b>Investments</b>		
Board designated	500,000	500,000
Performance bond deposits	135,355	103,645
Other	4,235,326	5,771,307
Prepaid expense	<u>210,043</u>	<u>208,371</u>
Total assets	<u>\$ 10,710,190</u>	<u>\$ 11,621,943</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
<b>Liabilities:</b>		
Accounts payable	\$ 403,357	\$ 314,717
Accrued payroll and payroll taxes	122,470	137,916
Advances – Townships	213,363	55,449
Performance bond deposits	135,355	103,645
Accumulated sick and vacation pay	77,492	64,168
Deferred revenue	<u>23,057</u>	<u>25,415</u>
Total liabilities	<u>975,094</u>	<u>701,310</u>
<b>Fund balance:</b>		
<b>Motor Vehicle Highway Funds</b>		
Primary Road	6,515,286	7,571,969
Local Road	500,000	686,356
<b>County Road Commission Funds</b>		
Undesignated	2,219,810	2,162,308
Designated by Board (Note 3)	<u>500,000</u>	<u>500,000</u>
Total fund balance	<u>9,735,096</u>	<u>10,920,633</u>
Total liabilities and fund balance	<u>\$ 10,710,190</u>	<u>\$ 11,621,943</u>
 Amounts reported for Governmental Activity in the Statement of Net Assets (Page 11) are different because:		
Fund balance – General Operating Fund	\$ 9,735,096	\$ 10,920,633
Capital assets used in governmental activity are not financial resources and, therefore, are not reported in the fund.	134,037,517	132,728,395
Long-term liability – accrued sick and vacation – is not due and payable in the current period and, therefore, is not reported in the fund.	<u>(103,806)</u>	<u>(88,999)</u>
Net assets	<u>\$ 143,668,807</u>	<u>\$ 143,560,029</u>

The notes to the financial statements are an integral part of this statement.



LENAWEE COUNTY

COUNTY ROAD COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the Year Ended December 31, 2005  
With Comparative Totals for the Year Ended December 31, 2004

	<u>General Operating Fund</u>			<u>Total</u>	
	<u>Primary Road Funds</u>	<u>Local Road Funds</u>	<u>County Road Funds</u>	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>					
<b>Motor Vehicle Highway Funds:</b>					
Engineering	\$ 7,500	\$ 2,500	\$	\$ 10,000	\$ 10,000
Allocation	4,478,382	2,353,315		6,831,697	7,217,212
Urban road	357,448	103,269		460,717	507,148
State critical bridge		53,748		53,748	111,749
State aid – road	359,566			359,566	
Pilot project	206,204			206,204	473,356
Federal aid – roads					18,137
Federal aid – bridges	329,479	286,658		616,137	595,993
Township contributions		2,466,127		2,466,127	2,496,118
Other contributions		42,869		42,869	436,137
<b>Miscellaneous revenue:</b>					
Interest income	101,853	9,232	35,812	146,897	47,857
Permits and maps			59,284	59,284	59,505
Asphalt revenue	875,539	672,717		1,548,256	946,471
Salvage sales			28,611	28,611	7,864
Gain on equipment sales	58,974	55,307	16,369	130,650	21,000
Total revenues	<u>6,774,945</u>	<u>6,045,742</u>	<u>140,076</u>	<u>12,960,763</u>	<u>12,948,547</u>
<b>Expenditures:</b>					
Preservation – structural improvements	3,050,696	2,861,085		5,911,781	4,692,270
Maintenance and traffic control	2,433,261	3,673,428		6,106,689	5,814,825
Administrative expense – net	(274,696)	(327,319)		(602,015)	(255,787)
Equipment expense – net	269,555	490,946	102,626	863,127	843,607
Capital outlay – net	(45,145)	(22,030)	(30,606)	(97,781)	(318,601)
Asphalt plant operation	1,104,956	848,989		1,953,945	807,869
Salt brine well			10,554	10,554	20,040
Total expenditures	<u>6,538,627</u>	<u>7,525,099</u>	<u>82,574</u>	<u>14,146,300</u>	<u>11,604,223</u>
Excess (deficiency) of revenues over (under) expenditures	236,318	(1,479,357)	57,502	(1,185,537)	1,344,324
<b>Other financing sources (uses):</b>					
Transfers in/(out)	<u>(1,293,001)</u>	<u>1,293,001</u>			
Net change in fund balance	(1,056,683)	(186,356)	57,502	(1,185,537)	1,344,324
Fund balance - beginning of year	<u>7,571,969</u>	<u>686,356</u>	<u>2,662,308</u>	<u>10,920,633</u>	<u>9,576,309</u>
Fund balance - end of year	<u>\$ 6,515,286</u>	<u>\$ 500,000</u>	<u>\$ 2,719,810</u>	<u>\$ 9,735,096</u>	<u>\$ 10,920,633</u>

The notes to the financial statements are an integral part of this statement.

**LENAWEE COUNTY**

**COUNTY ROAD COMMISSION**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND  
TO STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2005**

Amounts reported for governmental activity in the Statement of Activities  
(Page 12) are different because:

Net change in fund balance (Page 14) \$ (1,185,537)

The Governmental Fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. Or, in the case of roads, bridges, and culvert, reported on the modified approach. The amount presented represents the excess of capital outlay – net expense over depreciation expense for the year.

1,309,122

The net change in long-term accrued sick and vacation reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the Governmental Fund. Net change is an increase in liability and results in additional expense.

(14,807)

Change in net assets (Page 12)

\$ 108,778

The notes to the financial statements are an integral part of this statement.

**LENAWEE COUNTY**

**COUNTY ROAD COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**GENERAL OPERATING FUND**

**For the Year Ended December 31, 2005**

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Motor Vehicle Highway Funds	\$ 7,459,000	\$ 7,459,000	\$ 7,302,414	\$ (156,586)
Federal/State aid	2,609,250	1,874,250	1,235,655	(638,595)
Township contributions	2,053,500	2,600,000	2,466,127	(133,873)
Cities, villages, and other contributions	75,000	75,000	42,869	(32,131)
Interest income	60,000	140,000	146,897	6,897
Miscellaneous	76,000	76,000	87,895	11,895
Asphalt revenue	1,000,000	1,550,000	1,548,256	(1,744)
Gain on equipment sales	50,000	130,000	130,650	650
Total revenues	<u>13,382,750</u>	<u>13,904,250</u>	<u>12,960,763</u>	<u>(943,487)</u>
<b>Expenditures:</b>				
<b>Primary Roads</b>				
Preservation – structural improvements – LCRC	2,405,000	1,809,000	1,777,469	31,531
Preservation – structural improvements – OSC	1,280,000	1,280,000	1,273,227	6,773
Maintenance and traffic control	2,335,000	2,520,000	2,433,261	86,739
<b>Local Roads</b>				
Preservation – structural improvements – LCRC	2,352,500	2,557,500	2,502,617	54,883
Preservation – structural improvements – OSC	815,000	415,000	358,468	56,532
Maintenance and traffic control	2,834,000	3,756,000	3,673,428	82,572
<b>Administrative Expenses:</b>				
Administrative expense	1,675,000	1,500,000	1,486,677	13,323
Less: Overhead credits and purchase discount	(2,040,000)	(2,090,000)	(2,088,692)	(1,308)
<b>Equipment Expense:</b>				
Equipment expense	3,400,000	3,250,000	3,225,832	24,168
Less: Equipment rental credit	(2,250,000)	(2,350,000)	(2,362,705)	12,705
Asphalt plant operation	900,000	1,960,000	1,953,945	6,055
Capital outlay	1,100,000	740,000	725,837	14,163
Less: Depreciation credits/equipment retirement	(1,000,000)	(1,000,000)	(823,618)	(176,382)
Salt brine well	10,000	11,000	10,554	446
Contingency	100,000			
Total expenditures	<u>13,916,500</u>	<u>14,358,500</u>	<u>14,146,300</u>	<u>212,200</u>
Net change in fund balance	(533,750)	(454,250)	(1,185,537)	
Fund balance – beginning of year			<u>10,920,633</u>	
Fund balance – end of year			<u>\$ 9,735,096</u>	

The notes to the financial statements are an integral part of this statement.

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

The Lenawee County Road Commission is a component of the County of Lenawee.

The accounting policies of the Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Effective January 1, 2003, the Road Commission implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Road Commission’s overall financial position and results of operations has been included with the financial statements.
- Financial statements prepared using full accrual accounting for all of the Road Commission’s activities, including infrastructure (road, bridges, etc.).
- A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Road Commission has elected to implement the general provisions of the statement.

**Basic Financial Statements – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the Road Commission. The Road Commission consists solely of a governmental-type activity; no business-type activity exists.

The fund financial statements are provided for governmental funds, and have been separately stated in conjunction with the governmental-wide financial statements.

The major individual governmental fund (General Operating Fund) is reported in the fund financial statement.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Road Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue related to construction projects and inspection work orders is recognized when the related costs are incurred, subject to the availability criterion. Other revenue is recorded when received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Deferred revenue is recorded for the portion not available for use to finance operations as of year end.

Interest earned on investments is recorded on the accrual basis.

The Road Commission reports the following major governmental fund:

The General Operating Fund is used to account for the proceeds of earmarked revenue or financial activities required under legal or regulatory provisions for road commissions in the State of Michigan.

**Cash and Investments** – Cash and cash investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value.

**Inventory and Prepaid Expense** – Inventory consists principally of road material, salt, signs, and equipment maintenance materials and is valued at the lower of average cost or market. Inventories of the governmental fund are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both government-wide and fund financial statements.

**Capital Assets** – Capital assets, which include land, building, equipment, and infrastructure assets (e.g., road, bridges, and culvert) are reported in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed, except as noted below. Donated capital assets are recorded at estimated fair market value at the date of donation.

The modified approach, as defined in GASB 34, is used to value roads, bridges, and culvert in the County. The Road Commission has a asset management system with the required characteristics to use this approach.

Capital assets that are depreciated use the straight-line method over the following useful lives:

Buildings	40 to 60 years
Machinery and equipment	5 to 20 years

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences (Vacation and Sick Leave)** – It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. The current portion of this liability is reported in governmental funds.

**Fund Equity** – In the fund financial statements, the governmental fund reports restricted and unrestricted/designations of fund balance for amounts that represent restrictions by the State under Act 51 for Motor Vehicle Highway Funds; and designations by the County Road Commissioners.

**Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2. CASH AND INVESTMENTS**

At year end, the carrying value of the Road Commission's deposits was \$4,671 and bank balance was \$295,332. All investments of the Road Commission are currently in bank cash management accounts. The total carrying value, which approximates market, of investments was \$4,870,681. Of the bank balance and investments, \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. All deposits are with banks located in Michigan as required by statutes. All investments are with Michigan banks and authorized by statutes.

All investments are in Cash Management Accounts at United Bank & Trust. All investments are stated at cost which approximates market. The investments are:

<u>Bank</u>	<u>2005</u>	<u>2004</u>
Account 9003169	\$ 3,672,550	\$ 5,717,233
Account 9003355	501,165	500,582
Account 9003290	135,679	101,570
Account 9003223	<u>561,287</u>	<u>55,567</u>
	<u>\$ 4,870,681</u>	<u>\$ 6,374,952</u>

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 2. CASH AND INVESTMENTS (Continued)**

The Road Commission is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Road Commission limits its exposure to interest rate risk and credit rate risk by investing in conservative instruments like cash management accounts. There is exposure to custodial credit risk since all investments are with one institution and the investments are not fully covered by insurance.

**NOTES 3. INVESTMENTS – BOARD AND DONOR DESIGNATED**

The Board of Road Commissioners has through adopted resolutions designated a portion of invested funds for specified future uses. The designations are:

- A. **Equipment Fund** - investments to be used for future equipment purchases of the Lenawee County Road Commission.
- B. **Asphalt Plant Fund** - investments to be used for the maintenance of the asphalt plant and related equipment.

The investment balances of these designated funds at December 31, 2005 are as follows:

Equipment Fund	\$ -
Asphalt Plant Fund	<u>500,000</u>
	<u>\$ 500,000</u>

These designated funds are discussed below:

**A. Equipment Fund**

The Board of Road Commissioners has adopted a policy for the establishment and funding of an Equipment Fund. The fund is used to purchase all fixed assets for the Lenawee County Road Commission unless otherwise specified by the Board. Funding is determined by the fixed assets purchased, equating the year end balance to zero. Also, the proceeds on the sale of used equipment is additional funding of the Equipment Fund.

Activity of the Equipment Fund for 2005 follows:

Balance	January 1, 2005	\$ -
Add:	Funding	595,127
Add:	Sales of equipment	130,710
Less:	Fixed asset purchases by this fund	<u>(725,837)</u>
Balance	December 31, 2005	<u>\$ -</u>

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTES 3. INVESTMENTS – BOARD AND DONOR DESIGNATED (Continued)**

**B. Asphalt Plant Fund**

The Board of Commissioners established this fund for the maintenance of the asphalt plant and related equipment. Maximum funding is \$500,000.

Activity of the Asphalt Plant Fund:

Balance	January 1, 2005	<u>\$ 500,000</u>
Balance	December 31, 2005	<u>\$ 500,000</u>

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 533,333	\$ 122,265	\$ -	\$ 655,598
<b>Capital assets being depreciated:</b>				
Buildings	6,665,129			6,665,129
Equipment	13,169,531	603,572	113,800	13,659,303
Depletable assets	317,484			317,484
Subtotal	<u>20,152,144</u>	<u>603,572</u>	<u>113,800</u>	<u>20,641,916</u>
<b>Capital assets using modified approach:</b>				
Roads, bridges, and culverts	<u>124,574,245</u>	<u>1,406,903</u>		<u>125,981,148</u>
Total capital assets	<u>145,259,722</u>	<u>2,132,740</u>	<u>113,800</u>	<u>147,278,662</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(1,522,672)	(198,411)		(1,721,083)
Equipment	(10,872,174)	(612,320)	113,740	(11,370,754)
Depletable assets	<u>(136,481)</u>	<u>(12,827)</u>		<u>(149,308)</u>
Subtotal	<u>(12,531,327)</u>	<u>(823,558)</u>	<u>113,740</u>	<u>(13,241,145)</u>
Net capital assets	<u>\$ 132,728,395</u>	<u>\$ 1,309,182</u>	<u>\$ (60)</u>	<u>\$ 134,037,517</u>



**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 4. CAPITAL ASSETS (Continued)**

**Modified Approach**

The Lenawee County Road Commission has chosen to use the modified approach in valuing its roads, bridges, and culvert.

The values are based on condition assessments going back to 1996.

**Roads**

The Lenawee County Road Commission's Engineering Department incorporated actual Act 51 Certification Mileage, Roadsoft software for road condition evaluations, and known installed material costs to determine the current value of all certified county primary and county local roads. Roadsoft is a road condition evaluation software using a standard Paser Rating system, (Pavement, Surface, Evaluation, and Rating). The evaluation system is a 1 through 10 rating system where 10 is best and 1 is the worst. Roadsoft software is developed by Local Technical Assistance Programs (LTAP) via contract with the Michigan Department of Transportation (MDOT). Roadsoft software is also the currently accepted software by the Transportation Asset Management Council to be used for Asset Management data collection. The known installed material costs were generated from recent new road construction projects overseen via MDOT. Additional road cost data was generated in cooperation and assistance from the Operations Department. These two areas of data were compared and/or combined and adjusted for local installed construction costs. The total number of miles for Class "A" All Season, Non-Class "A" Asphalt, Gravel, and Sealcoat roads for both Primary and Local roads were evaluated as new and then depreciated by the Paser rating to determine its current value. The new road installed construction costs used are as follows:

	<u>Primary</u>	<u>Local</u>
• Class "A" All Season	\$340,000 / Mile	\$340,000 / Mile
• Non-Class "A" Asphalt	\$170,000 / Mile	\$170,000 / Mile
• Sealcoat	\$30,000 / Mile	\$30,000 / Mile
• Gravel	\$22,500 / Mile	\$22,500 / Mile

**Bridges**

All bridges were identified through the Lenawee County Road Commission's Engineering Department using the current required MDOT Bridge Inventory. All Bridges are required to be inspected every two years using evaluation software distributed via MDOT called Pontis. This evaluation system is a 1 through 10 rating system where 10 is best and 1 is the worst. An assumption was made that all traversable bridges in the county are of value regardless of the type of construction. In addition, that some of the older bridges, regardless of type, could or would be placed on the MDOT Critical Bridge List. Therefore, a value could be determined using a standard square foot of bridge deck cost established via MDOT for use in the Pontis software and during the Critical Bridge List submittal. The standard square foot of bridge deck cost established via MDOT and used for this report is \$134.00 per square foot. All bridges were evaluated and a value was determined as new based on the square feet of bridge deck. The structures were then depreciated by its rating to determine a current value

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 4. CAPITAL ASSETS (Continued)**

**Culverts**

All culverts were identified through the Lenawee County Road Commission's Engineering Department using a culvert inventory that was established in 1998 and is constantly updated as new or existing information is generated. The standard culverts that are documented and evaluated regardless of type and includes culvert 30 inches in diameter or larger. The evaluation standard used is referenced from MDOT Form P2503, Culvert Inspection Report. The evaluation system is a 1 through 9 rating system where 9 is new, 7-8 is good, 5-6 is fair, 4 is marginal, 3 is poor, and 2 or less is critical. The value of the culverts were determined by the use of MDOT's Weighted Average Item Prices – English, July 01, 2003 to June 20, 2004, Design Support Area, State Transportation Commission. All culverts were evaluated and a value was determined as new, based on the lineal feet of culvert and the weighted average item price. The structures were then depreciated by its rating to determine a current value.

**Conclusion**

All of the Lenawee County Road Commission's Infrastructure Assets were evaluated using the most current data available via the use of Roadsoft and Pontis software and Culvert Inventory documents and evaluations. The current value of the Infrastructure Assets were determined via the use of the most recent MDOT installed material cost incorporated with the most recent local information. All assets were identified and a value determined as new then depreciated by its respective rating to determine its current value. The following is a tabulation of those current values.

**County Primary Roads**

	<u>Miles</u>	<u>New Construction Value</u>	<u>Current Value</u>
Class "A"	89.63	\$ 31,333,338	\$ 21,880,998
Asphalt	331.11	56,373,700	33,342,950
Gravel	40.53	911,925	472,995
Sealcoat	<u>26.42</u>	<u>792,600</u>	<u>207,480</u>
Totals	<u>487.69</u>	<u>89,411,563</u>	<u>\$ 55,904,423</u>

**County Local Roads**

	<u>Miles</u>	<u>New Construction Value</u>	<u>Current Value</u>
Class "A"	1.10	374,000	299,200
Asphalt	342.51	58,226,700	29,154,820
Gravel	611.22	13,752,450	7,374,780
Sealcoat	<u>84.21</u>	<u>2,526,300</u>	<u>946,680</u>
Totals	<u>1039.04</u>	<u>74,879,450</u>	<u>37,775,480</u>
<b>Total County Roads</b>	<u><b>1526.73</b></u>	<u><b>\$ 164,291,013</b></u>	<u><b>\$ 93,679,903</b></u>

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 4. CAPITAL ASSETS (Continued)**

**County Primary Bridges**

	<u>Quantity</u>	<u>Current Value</u>
Concrete	37	\$ 9,059,124
Steel	13	2,314,679
Timber	<u>15</u>	<u>2,189,589</u>
Total	<u>65</u>	<u>\$ 13,563,392</u>

**County Local Bridges**

	<u>Quantity</u>	<u>Current Value</u>
Concrete	55	\$ 11,249,385
Steel	22	1,408,468
Timber	<u>28</u>	<u>3,207,051</u>
Total	<u>105</u>	<u>\$ 15,864,904</u>

**County Bridges Totals**

	<u>Quantity</u>	<u>Current Value</u>
Concrete	92	\$ 20,308,509
Steel	35	3,723,147
Timber	<u>43</u>	<u>5,396,640</u>
Total County Bridges	<u>170</u>	<u>\$ 29,428,296</u>

**Culverts**

	<u>Primary</u>	<u>Local</u>	<u>Total</u>
	<u>\$ 1,449,431</u>	<u>\$ 1,423,518</u>	<u>\$ 2,872,949</u>
Total County Roads, Bridges, and Culverts			<u>\$ 125,981,148</u>

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 4. CAPITAL ASSETS (Continued)**

The history of annual maintenance costs required to maintain the roads, bridges, and culverts at their current value level are as follows:

<u>Year</u>	<u>Maintenance</u>	<u>Actual</u>		<u>Estimated/ Budgeted Total</u>
		<u>Preservation - Structural Improvements</u>	<u>Total</u>	
2005	\$ 6,106,689	\$ 5,911,781	\$ 12,018,470	\$ 12,337,500
2004	5,814,825	4,692,270	10,507,095	11,067,528
2003	4,614,739	8,124,876	12,739,615	13,883,635
2002	4,068,573	6,212,943	10,281,516	10,410,807
2001	3,661,839	6,032,507	9,694,346	9,968,600

**NOTE 5. PERFORMANCE BOND DEPOSITS**

Performance bond deposits at December 31, 2005 are:

Waterland Trucking	\$ 15,170
R & S Contracting	2,571
Bales	3,100
Wilson's Backhoe	500
Baker Construction	3,654
New Flevo Dairy, Inc.	14,000
Mitchell Fitch	8,600
Willson Builders	1,500
West Adrian Cemetery	1,500
Waynick's Landscaping	1,500
Roe Brothers	1,500
Swift Properties	1,500
CTE Sand & Gravel	500
Slusarski Excavating	1,500
Haligus Sprinkler Systems	500
Midwest Energy	2,500
Adrian Charter Township	3,500
Ronald S. Ferrell	500
Keith's Trenching	300
Sylvester Material Co.	16,660
Lasershot	1,000
Western Tel-Com, Inc.	1,500
Consumers Energy	1,500
	<hr/>
Total carried forward	\$ 85,055

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 5. PERFORMANCE BOND DEPOSITS (Continued)**

Total carried forward	\$ 85,055
Richardson's Excavating	1,500
Barbara Jones	1,500
Sand Creek Telephone	6,600
Comcast	1,000
South Michigan Wheel, Inc.	1,500
Joe Caterina	1,500
Arnetia Brian	500
Zemlo, Inc.	500
Paul Siefker	1,500
Midwest Grain Processors	9,000
Brady Sand & Gravel	500
Jim Mackley	500
Mike Carter	1,500
Ed Judson	300
Gregory Bishop	500
Four Square Development	1,500
Verizon	<u>20,400</u>
	<u>\$ 135,355</u>

**NOTE 6. OTHER LONG-TERM LIABILITIES**

**Insurance Programs**

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for health care claims and for property loss, torts, and errors and omissions.

The Lenawee County Road Commission has its workers' compensation coverage with the Michigan County Road Association Self-Insurance Fund. The reserve for open claims involving the Lenawee County Road Commission, as of December 31, 2005, is \$41,919 which is handled by the Fund.

**Accumulated Sick Leave and Vacation Liability**

Under union contract and Road Commission policy, individual employees have a vested right to receive payment for one-half of unused sick leave and all accumulated vacation pay up to specified limits upon termination of employment or retirement. The value of these vested rights, which is shown on the financial statements with the current portion shown in the Governmental Balance Sheet and the total liability is shown in the Statement of Net Assets. Total liability is approximately \$181,298 at December 31, 2005.

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 7. BUDGET INFORMATION**

The annual budget is prepared by the Road Commission management and adopted by the Board of Road Commissioners; subsequent amendments are approved by the Board of Road Commissioners. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was adopted in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Road Commission's actual expenditures for the budgetary fund have been shown on a functional basis. The approved budget of the Road Commission for the General Fund was adopted to the functional level.

As of December 31, 2005, the Lenawee County Road Commission's total budgeted expenditures exceeded total actual expenditures.

**NOTE 8. RETIREMENT PLANS**

The Road Commission contributes to two retirement plans. Both are single employer plans; one is a defined benefit plan and the other is a defined contribution plan. Both are administered by the same insurance company.

**Defined Benefit Plan**

**A. Plan Description**

1. The Pension Plan for Employees of the Board of County Road Commissioners of the County of Lenawee is a single employer plan administered by the Board of County Road Commissioners - Lenawee County.
2. The plan was established by the Board of County Road Commissioners - Lenawee County and can be amended at its discretion, subject to the terms of the collective bargaining agreement. The plan provides retirement and death benefits to plan members and beneficiaries.
3. A financial report on this plan, including financial statements and required supplementary information, is available through the Lenawee County Road Commission.

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**NOTE 8. RETIREMENT PLANS (Continued)**

**B. Funding Policy**

1. The Board of County Road Commissioners - Lenawee County, under its charter and through various collective bargaining agreements, has the authority to establish and amend the obligations of the Board of County Road Commissioners - Lenawee County and amend contributions made by plan members.
2. Active plan members are currently obligated to make contributions to the plan at the following rates:

\$6.00 a month from date of participation to annuity commencement date.

3. The Board of County Road Commissioners - Lenawee County contributes an amount on the basis of mutual agreement with the union.

**Annual Pension Cost** – For the year ended December 31, 2005, the Road Commission's annual pension cost of \$368,594 for the plan was equal to the Road Commission's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004 using the entry age normal cost method. Significant actuarial assumptions used include (a) 7 percent investment rate of return, (b) projected salary increases of 3 percent per year, and (c) no postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The amortization period is 10 years.

Additional pension plan information is as follows:

	<u>Fiscal Years Ended December 31,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost (APC)	\$ 429,513	\$ 405,941	\$ 368,594
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 8. RETIREMENT PLANS (Continued)**

**Actuarial Valuation as of January 1, 2003, 2004, and 2005**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value Of Assets</u>	<u>Actuarial Accrual Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As % Of Covered Payroll</u>
1/1/03	\$ 2,227,351	\$ 3,843,515	\$1,616,164	58.0%	\$ 2,707,662	59.7%
1/1/04	2,294,349	4,464,809	2,170,460	51.3%	2,887,670	75.1%
1/1/05	2,901,301	4,229,566	1,328,265	68.6%	2,929,571	45.3%

**Defined Contribution Plan**

All full-time employees are eligible to participate in the plan after completing one-half year of service. Both the employee and employer are each required to contribute an amount equal to 1% of employee's compensation each month. Employee can also make nondeductible voluntary contributions not to exceed 25% of compensation. The Road Commission's contributions are vested as follows:

<u>Years of Service</u>	<u>Percentage of Vesting</u>
0 - 2 years	-0-
3 - 7 years	20% vesting each year

Total contributions to the plans in 2005 were \$620,558. The contributions from the Road Commission was \$420,781 and from its employees \$199,777. Covered payroll for 2005 was \$2,925,172.



**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**GENERAL OPERATING FUND**  
**SCHEDULES OF ADMINISTRATIVE EXPENSES**  
**For the Years Ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Salaries and wages	\$ 566,798	\$ 576,256
Fringe benefits	498,784	507,106
Postage	1,752	2,866
Office supplies	16,524	12,374
Dues and subscriptions	11,282	11,018
Contractual services	12,676	17,413
Legal services	93,608	83,341
Auditing and accounting services	20,250	26,325
Computer maintenance and programming	109,695	112,941
Education	255	4,968
Travel and mileage	11,250	9,842
Advertising	11,353	4,588
Office equipment repair/maintenance	3,564	7,496
Miscellaneous	6,140	5,896
Depreciation – buildings	39,270	37,015
Depreciation – engineering equipment	5,629	5,722
Depreciation – office equipment and furniture	36,472	36,944
<b>Other:</b>		
Engineering supplies	2,142	1,751
Rentals/equipment rental	<u>39,233</u>	<u>34,645</u>
	<u>\$ 1,486,677</u>	<u>\$ 1,498,507</u>

See independent auditors' report.

**LENAWEE COUNTY**  
**COUNTY ROAD COMMISSION**  
**GENERAL OPERATING FUND**  
**SCHEDULE OF ACCOUNTS RECEIVABLE**

**December 31, 2005**

**TOWNSHIPS:**

Adrian Township	\$ 55,340
Cambridge Township	48,132
Clinton Township	11,636
Dover Township	29,618
Fairfield Township	4,506
Franklin Township	10,555
Hudson Township	26,552
Macon Township	8,166
Madison Township	1,949
Medina Township	168,078
Ogden Township	8,993
Raisin Township	27,126
Ridgeway Township	8,277
Riga Township	57
Rollin Township	15,111
Rome Township	112,100
Seneca Township	44,037
Tecumseh Township	1,310
Woodstock Township	<u>(2,141)</u>

579,402

Less: Allowance for doubtful accounts

(20,000)

Total

\$ 559,402

**OTHER RECEIVABLES:**

Village of Clayton	\$ 1,173
Village of Clinton	132
Developers	(13,501)
Cumulative total of individuals and organizations with small balances	<u>17,100</u>

Total

\$ 4,904

See independent auditors' report.